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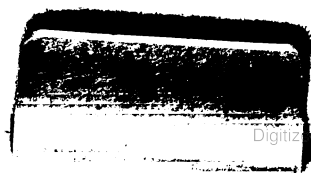
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The University of Chicago

A STUDY OF THE BUSINESS ADMINISTRATION  
OF COLLEGES BASED ON AN EXAMINATION OF  
THE PRACTICES OF LAND-GRANT COLLEGES  
IN THE MAKING AND USING OF BUDGETS

A DISSERTATION  
SUBMITTED TO THE FACULTY  
OF THE GRADUATE SCHOOL OF ARTS AND LITERATURE  
IN CANDIDACY FOR THE DEGREE OF  
DOCTOR OF PHILOSOPHY  
DEPARTMENT OF EDUCATION

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BY  
JULIAN ASHBY BURRUSS

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## PREFACE

A brief form of the dissertation is presented herewith, the complete dissertation being on file in the University of Chicago Libraries. The table of contents, the list of tables, and the list of forms, on the following pages, indicate what is included in the complete copy. This brief copy contains an account of the sources of the data and the method pursued in the investigation, the introductory sections of the various chapters, and the conclusions and recommendations in full. Footnotes indicate the pages of the complete dissertation on which the omitted sections may be found.



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## CHAPTER I

### INTRODUCTION

#### A. IMPORTANCE OF THE FINANCIAL ASPECT OF INSTITUTIONAL ADMINISTRATION

Whenever there is a job to be completed, whether it be the building of a house or of a railroad, the manufacture of pins or of automobiles, the protection of the community from disease or what not, there are always three steps that must be taken in the interest of economy and efficiency. First, there is the necessity for setting clearly the task, determining what is to be done, the grade or standard to be reached, the time to be consumed. Second, there is the necessity of ascertaining just what materials and workers, what equipment and organization, should be provided. Third, there is the necessity for calculating the cost of providing the required facilities and of doing the work. These steps should follow each other in this logical order.

In the commercial and industrial world this order of procedure has long been customary. Rule-of-thumb methods disappeared with the development of modern large-scale production. This has been true to a less extent in the educational field. Schools and colleges in many cases continue to be conducted in an unbusiness-like manner. This has been true of public-supported institutions as well as of those privately owned. Inefficiency and waste have been tolerated by an uninformed and heedless public.

There is no sound reason why an educational institution should not be conducted on business principles as well as an industrial enterprise, but there is every reason why it should be done, in order that the public may have its interests protected. Depending upon "log-rolling" and "pork-barrel" methods, the logical order of the three necessary steps has been often reversed. This has, in the long run at least, resulted in a loss to education in both funds and efficiency.

In recent years the tendency has been to demand a closer accounting for public funds. Numerous investigations and surveys

have been conducted, and commissions on retrenchment and efficiency in a number of states have made reports. With increasing attention to the financial side of administration has come a demand for better business methods, and this applies to the enterprises of education as well as to those of trade and industry.

#### B. THE PLACE OF THE BUDGET IN FINANCIAL ADMINISTRATION

The importance of the budget is such that it may properly be taken as a center for the study of the entire business management of an institution, as indicated in the following diagram:



A budget is a statement of estimated receipts and estimated expenditures for a given period. Such a statement is of value in the financial administration of any business, and the larger the undertaking, the more important the budget is. Moreover, the more public the business is, the more necessary is it that there be a budget setting forth clearly the financial condition.

A budget system, when properly established and operated, should accomplish at least these results, namely:

1. It should furnish a complete and readily understood analysis of the entire business organization and management of the institution, for the guidance of those within and the enlightenment of those without.
2. It should cause all estimates to be reviewed by an official other than the creator of the original estimates.
3. It should protect against indefinite appropriations for any division or activity, and keep all in due proportion according to the plans of the institution as a whole.
4. It should prevent the waste sometimes arising from the custom of many institutions to estimate in excess of the actual needs in the expectancy of a cut by the legislature.
5. It should include in one form all authorized expenditures, enabling department heads to plan in advance.

6. It should provide for the authorizing of expenditures at a time when the revenues to meet them are known and are taken definitely into consideration, thus bringing together the spending of funds and the providing of funds.

7. It should provide for an independent proof by audit, as to efficiency, duplication, or waste, in the various activities.

8. It should enable the public to understand the financial status of an institution, and the reason for expenditures and for measures of economy.

The adoption of state budget systems in an increasing number, and the recent inauguration of a national budget system, are giving impetus to the movement for budget systems in educational institutions, and we may expect to find within the next few years budget-making and budget-using in all colleges supported by the state.

#### C. PURPOSES OF THIS INVESTIGATION

There has been little to guide the college official in the establishment of a budget system. The present investigation is made in the belief that, by presenting the practices followed in various institutions, the way will be made easier for those who desire to improve their business methods. While limited to a special type of college, it is believed that the findings of the investigation may be readily applied to colleges of any type.

The purposes of the study may be stated as follows:

1. To discover and evaluate current practices of budget-making and budget-using in the colleges.

2. To compare critically the methods and results of budget systems at typical institutions.

3. To discover significant facts and to define important principles involved in budget-making and budget-using.

4. To indicate an efficient organization for financial management in such institutions.

5. To seek the most adequate and efficient system of classification and accounting.

6. To supply practical suggestions as to organization, aids, and devices for the budget and related phases of business administration.

7. To suggest forms, means, and methods for discovering, interpreting, presenting, and applying financial facts.

8. To discuss analyses of income and expenditure, and the computation of unit costs.

9. To assist college officials in making surveys of their institutions, and in diagnosing, controlling, planning, reorganizing, and publishing information as to results accomplished, proposed developments, and needs.

10. To supply the general public with criteria for judgment as to whether public funds are being economically and efficiently administered or not.

11. To indicate some progressive tendencies in higher education as reflected in financial administration.

Both as to method and purpose, it should be understood that this is not an investigation or survey of any institution as an individual institution, but merely the gathering of certain facts from representatives of a group of institutions similar in type. Best methods were sought rather than faulty ones for criticism.

#### D. LIMITATIONS OF THE STUDY

The content of this study is intended to be representative rather than exhaustive. A particular type of institution has been chosen, and it is believed that no more significant type may be found, for here we have combined in one college, support from the federal government, from the state, and from other sources. All the people of the country are interested directly or indirectly in such a college. Within the group eighteen out of the forty-eight institutions have been selected for intensive study, these being representative of the group.

The method of the study is practical rather than speculative, the purpose being to supply working plans for direct application, based on what is actually being done rather than on what theoretically may be done.

The conclusions and recommendations derived from the various portions of the study are intended to represent the best practice of the present time. Budget-making and budget-using in education may still be considered an innovation. It is at least too soon to

say that methods of procedure have been definitely fixed by long-established custom. It is necessary to recognize the fact that what is best practice today may not be so considered tomorrow. Again, there is no uniformity of practice among the institutions of the group. It would be hopeless to attempt to define "standard" practice, and the best that may be done is to indicate what is considered to be the best current practice.

#### E. LITERATURE OF THE FIELD

Practically no literature has been produced in this particular field, and very little is found in closely related fields. There are numerous works on accounting, but few of these relate in any appreciable degree to even general budget-making, and no special consideration is given to college budgets.

In the course of the work reference has been made to:

1. Reports and special bulletins of the United States Bureau of Education.
2. *Bulletins of the Carnegie Foundation for the Advancement of Teaching*, especially Nos. 3, 5, and 10.
3. *Proceedings of the Association of American Agricultural Colleges and Experiment Stations*.
4. The financial reports of certain institutions included in the group.
5. The distribution budgets and the appropriation acts of certain states in which the colleges of the group are located.
6. The laws of the federal government and of certain states which relate to budgets and appropriations.

In addition to the foregoing list, a considerable number of bulletins, pamphlets, and periodical articles have been examined in the effort to discover material bearing on the subject. In most cases nothing of significance was discovered, but at the end of this report will be found a list of such as furnished information of more or less value to the work.

#### F. SOURCES OF DATA

The data used here have been gathered almost entirely by personal visitation to the institutions and the examination of their records, forms, and reports. These visits covered a period



of about six weeks, practically continuously, during the months of October and November, 1920. In these visits a set of 238 questions was used, to fix definitely the information along certain lines and to make it as complete as possible for each institution and comparable among them all. The information came directly from those officials at each institution who were considered there to be best qualified to supply it. In most cases such officials were business managers or comptrollers, but in some instances presidents, secretaries, treasurers, auditors, purchasing agents, and similar officials were consulted. Record was made immediately upon the receipt of the information. Access to ledgers, control accounts, purchasing files, inventories, and numerous other records was readily accorded at the various institutions, and these were explained by those who had charge of them. In most cases samples of forms, including ledger pages, classifications, budget sheets, etc., were secured, together with copies of financial reports and budgets in complete form.

No essential portion of the report has come from any source or by any method other than the foregoing, although occasional suggestions and minor items have resulted from reading the references cited. In a few instances data for tables of a general nature have been extracted from publications of the United States Bureau of Education and sources of similar reliability; but the validity of the conclusions is in no way dependent upon these.

## CHAPTER II

### SELECTED SOURCES AND METHODS OF COLLECTING DATA

#### A. TYPE AND LOCATION OF INSTITUTIONS SELECTED FOR SPECIAL STUDY

Qualitatively the land-grant colleges group themselves into three divisions, thus:

1. Those which are divisions of state universities, usually in the same location.
2. Those which are independent of state universities, and which offer instruction in agriculture and mechanic arts.
3. Those which are independent of state universities, and which offer instruction in some particular line of work to the exclusion of other lines, usually agriculture without mechanic arts, or engineering, courses.

In a few cases institutions may be classified in more than one group. Of the eighteen colleges included in the study, nine may be considered as falling within the first group, eight within the second, and one within the third—the total number in the third group being quite small.

Quantitatively the colleges may be ranked according to student enrolment, and on this basis divided into quarters. If this be done, ten of the eighteen fall within the upper quarter, two within the next highest, three within the next to the lowest, and three within the lowest. The preponderance of those in the upper quarter is justified by other considerations than student enrolment, for it is presumed that in the larger institutions the activities are more numerous and the resources greater, and that consequently the budgets are more comprehensive and suggestive than those of the smaller colleges.

In geographical distribution the institutions studied cover fairly well the New England, Middle Atlantic, and North Central groups of states.

In types of budget systems in operation the institutions studied are representative of those usually found. There are variations from these types here and there, but essentially they must be the same.

The states included in the study are indicated in the following tables, which give certain general information concerning the standing of the respective institutions.

TABLE I  
STATES INCLUDED AND TYPE OF INSTITUTIONS

Rank by Enrolment in 48 States*	A	B	C
	Part of State University	Separate College	Separate College Limiting Courses to Agriculture
2	Illinois		
3		Indiana	
4			Massachusetts†
5		Iowa	
6	Ohio		
8	Wisconsin		
9		Michigan	
10		Kansas	
11	Minnesota		
12		Pennsylvania†	
13	Missouri		
23		Virginia	
27	West Virginia		
33	New Jersey		
36		Rhode Island†	
41	Maryland		
45		Connecticut†	
46	Delaware		

\* Rank based on U.S. Bureau of Education reports for 1916-17.

† This state has no state university.

#### D.<sup>1</sup> QUESTIONS USED IN PERSONAL INTERVIEWS

In collecting the data, a mimeographed form was used. The form was headed with spaces for the name of the institution, the date of the visit, and the names of the officials supplying the information. Following this were 238 questions, which were either asked directly as worded, or were answered in the course of the conference without being directly put.

<sup>1</sup> Sections B-C may be found on pages 11-12 of typewritten manuscript.

As far as practicable the replies have been tabulated under the different question numbers in the several chapters. The questions are included in each chapter with the tabulations, for convenience of reference. . . . .

## F.<sup>2</sup> GENERAL INFORMATION AS TO BUDGET PRACTICE

When one asks at an institution if it has a budget, the reply is almost invariably in the affirmative, but further inquiry frequently reveals the fact that there is no real budget system of an adequate type. In the first place, a budget system should provide for two kinds of budgets. There must be a budget of requests to the power supplying the funds, and after the appropriations are made there must be for each year a budget for the guidance of operations during the year. The former may be called the "original, or tentative, budget," and the latter may be called the "working budget." The two may, of course, be quite different. When incomplete budget systems are found, usually there is no tentative budget. In such cases appropriations are solicited in lump sums, the effort being made to secure amounts as large as possible, and after these are secured they are distributed in a so-called budget of expenditure. This reverses the logical order of the three steps as stated in the opening paragraph of the first chapter. In such cases the distribution of funds for expenditure is made more or less arbitrarily by the president, and this is particularly true where this official has held office for many years. Such executives are usually strong advocates of freedom in administration and dread nothing so much as a change in business procedure.

## G. CONCLUSIONS AND RECOMMENDATIONS

From the data presented in this chapter, the following conclusions and recommendations appear to be justified:

1. Among the officials in charge of business administration at the various institutions there is little uniformity of title; and it is suggested that a greater uniformity is desirable and could be easily had by dropping the unusual titles and confining the designations to such titles as "business manager" and "comptroller."

<sup>2</sup>The last sentence of Section D, all of Section E, and the greater portion of Section F may be found on pages 13-18 of typewritten manuscript.

2. The president of the institution is always supreme in authority over the finances within the interior organization of the college, and this supremacy differs only in degree; and this definite placement of authority is wise.

3. A budget system is comparatively new at most colleges, and at some it is still comparatively unknown; and it is suggested that all college officials should familiarize themselves with the general plan and purpose of the budget and with such details as appear necessary.

4. Previous to the introduction of a budget system, requests for funds are made in a non-scientific and unbusiness-like manner, the practice being to ask for large lump sums for general use, and to decide after the appropriations are made as to how they shall be expended; and it is recommended that instead of this the objectives be set, the means be determined, and then the cost be estimated, the requests to be based strictly on these estimates.

5. There is evident satisfaction with existing systems, both budget and non-budget, in the colleges, but in the latter case it is usually the result of antipathy to change; and inasmuch as budget systems have proved beyond question their value, it is recommended that changes in administrative personnel be effected where present officials refuse to instal budgets for no better reason than satisfaction with the present methods.

6. Throughout the states there is a noticeable tendency to centralize the administration of the public finances; and this is wise provided it does not lead to restrictions on colleges in such a way as to lessen efficiency.

7. Where budget systems are established it is usual to find some intermediary authority between the college and the legislature, which reviews the requests and makes recommendations; and this has advantages provided the institution is given full opportunity to present its claims and has the right of appeal to the legislature.

## CHAPTER III

### GENERAL ADMINISTRATION OF FINANCES

#### I.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning the general administration of finances appear to justify the following conclusions and recommendations:

1. There is now little difficulty in meeting the federal requirements; and each participating institution should be held strictly to the spirit as well as to the letter of the law under which the federal funds are granted.

2. A comparatively small part of the income of these institutions now comes from federal sources; and these funds should be segregated to the special causes for which they are intended.

3. The federal report is a valuable step in the direction of uniform reporting to the end that comparable data may be available; and this report should be made with discriminating care by all the colleges.

4. The present tendency in the administration of state finance is decidedly toward the state budget system; and it is advisable to encourage the inauguration of such a system in every state.

5. The present tendency in the administration of the finances of state-supported institutions is toward prescription from without the institution; and this is not undesirable provided it does not extend so far as to restrict the progress of the institution and deaden initiative.

6. Educational institutions are usually differentiated from other institutions, departments, and agencies of the state in the budget system; and it is desirable that provision be made for such differentiation at least in the classifications.

7. Most college officials prefer to be unrestricted, or restricted as little as possible, in the administration of the finances of their institutions; and they should be restricted only so far as may be

<sup>1</sup> Sections A-H may be found on pages 21-37 of typewritten manuscript.

necessary to secure a reasonable degree of uniformity, systematic attention to business, and integrity and efficiency in administration.

8. The favorite plan in state budget systems is for the governor to be the chief budget officer, assisted by an advisory board including the chairmen of the committees in charge of appropriations in the two houses of the legislature; and this should be a good organization, provided the colleges are given ample opportunity to present their claims and are treated impartially and without reference to political considerations.

9. A mill tax for the support of the state college is desirable for its stabilizing effect, enabling the authorities to plan considerably in advance with the assurance that the plans are possible of realization within a definite period, and in a measure protecting the institution from the caprices of legislative bodies; and this plan for supplying funds should be adopted in all states except where extraordinary conditions may make it inexpedient.

10. In some of the state budget systems an emergency fund is provided in addition to the amounts specifically appropriated; and this is desirable for protection, provided it is carefully, intelligently, and impartially administered.

11. A few states have a civil-service system for the selection of certain grades of employees; but this is not satisfactory in meeting the peculiar needs of colleges and should not be forced upon them.

12. About two-thirds of the colleges plan ahead and request liberal appropriations for development, while the other one-third appear to be restricted in their outlook and effort; and it seems desirable that the latter seek a clear defining of objectives and proceed without delay in making their plans accordingly, and where this is not possible with the officials now in charge there should be such a reorganization as may be necessary to put the institution on an efficient and forward-looking basis.

13. Where there are no state budget systems and in some cases where there are such systems, it appears customary for institutions to request legislatures to appropriate much more than can be reasonably expected or than is enough to cover the actual needs, under the assumption that the amounts requested will be pruned; but it is desirable to discourage this by formulating the budget on

a basis of accurate estimates to meet well-recognized needs for present essentials and for developments clearly called for by the future.

14. In some states there appears to be too much administrative machinery without the institution for the management of its business affairs; and it is desirable that such an outside organization as may be necessary be simple and direct.

15. Within their own organization some institutions have an elaborate provision for the handling of business affairs, while others have too little; and it is desirable to avoid extremes, and to provide such an organization as will definitely place responsibility and secure the prompt and efficient transaction of all college business, which usually calls for the proper performance of the three principal functions of: (a) collecting and disbursing funds; (b) auditing, accounting, and controlling; and (c) purchasing and handling commodities.



## CHAPTER IV

### THE ORIGINAL, OR TENTATIVE, BUDGET

#### A. DEFINITION AND RELATIONSHIP

In the complete budget system of a college there are two budgets, namely, (1) the original, or tentative, budget of requests to be presented to the support-supplying power, and (2) the final, or working, budget of allotments to the several departments and divisions of the institution for expenditure, after the income of the institution is definitely known. The first presumably represents what each department and division of an institution estimates its needs to be for the ensuing budget period, while the latter represents the best possible distribution of the available income to meet those needs. Since the original budget is formulated before it is definitely known what the revenues of the institution will be, it must be purely tentative. After the appropriations are made and the income is pretty definitely determined for the budget period, then the original budget may be revised accordingly, in which case it is converted into a working budget. The original budget is usually made to cover a biennial period, since most legislatures meet in alternate years; but the working budget is usually made annually, since it is possible to estimate actual needs for a year with greater certainty than to estimate them for two years in advance.

State budget systems are usually concerned chiefly, if not entirely, with the budget of requests, and this is what goes to the budget authorities outside of the institution. A properly made budget of requests gives much information, of a definite and analytical character, to the appropriating authorities and also to the public.

On the other hand, the working budget usually concerns only the interior organization of the college. It analyzes the work of the entire organization, all its activities and departments, and provides a working plan for the period covered, which is usually one year. If the tentative budget has been carefully prepared in

the various divisions, and if the income proves to be what has been estimated and requested, or approximately so, then the working budget may be made by revising as far as may be necessary the tentative budget. When there is great difference a new budget must be prepared. In every case the original budget is merely preliminary to the final budget, and is made up purely of estimates, the fulfilment of which is dependent upon the appropriations received. These estimates are usually based upon the actual expenditures of a preceding period, varying in different states from one to four years.

It can never be expected that the amounts in either the tentative budget or the working budget will be altogether accurate. Officials who are experienced in such matters can estimate quite closely, but only in the case of fixed charges can the amounts be exact. The estimates of the tentative budget are less apt to be accurate than those of the working budget, for obvious reasons. Compared to the former custom of asking for appropriations in large lump sums for general purposes, the budget-estimate method is a great advance toward accuracy.

#### J.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning the original, or tentative, budget appear to justify the following conclusions and recommendations:

1. The tentative budget is a valuable means of analysis for presenting the activities and needs of a college to the legislature and people of the state, and represents a decided advance over the usual lump-sum method of requesting appropriations; and it is recommended that the budget system be introduced at all state colleges.

2. The time used in formulating the budget varies, but it is desirable to have a definite time fixed at each institution; and it is recommended that at least six months be allowed.

3. The president of the college usually has the chief part in deciding what amounts shall be included in the budget; but it is recommended that faculty co-operation be secured as far as practicable, particularly through deans and heads of departments.

<sup>1</sup> Sections B-I may be found on pages 43-72 of typewritten manuscript.

4. Not more than one-half of the colleges appear to have an adequate vision for future development together with the courage to ask for appropriations to carry forward a plan of progressive development; and it is suggested that while requests should be based upon both what the institution has done and what it needs to do to meet its opportunities the latter should predominate, the aim being to promote a conservative progress continuously.

5. It is not customary for the president to keep records of the conferences with deans and others concerning the budget; and it is suggested that it would be wise to record these and all changes made in the budget requests with reasons therefor.

6. Although it is customary to supply information concerning the contents of the budget to members of the staff who are interested, it is recommended that there be a definite plan for supplying such information at the various stages of progress of the budget to those who made the original estimates.

7. In most cases trustees are not supplied with copies of the budget prior to the meeting at which it is to be considered; and it is recommended that the budget be supplied them at least two weeks in advance of the meeting.

8. The budget is often arranged in parallel columns to show increases and decreases as compared to expenditures during the first year of the current biennium; but it is recommended that, particularly in the case of personal services, the comparison be made with the second year of the biennium preceding the period covered by the budget.

9. Increases and decreases are usually not totaled separately and facts are hid in balances; and it is recommended that such columns be totaled separately and that full explanations be included for the increases and decreases.

10. Original requests from departments are usually not shown in the budget when it reaches the trustees; and it is recommended that they be either shown or called to the attention of the trustees in their original form, when there are essential differences.

11. In a majority of cases trustees give comparatively little time to the consideration of the budget; but in view of its fundamental importance it is suggested that ample time should always be taken for careful consideration.

12. The undesirable method of lobbying for appropriations is still followed in some states; and it is recommended that such states adopt and extend budget systems in such a manner as to make it unnecessary.

13. It is customary in state budget systems that some intermediary review and make recommendations on the college budget, and while it appears that the institutional authorities are given ample opportunity to present their claims, it is suggested that every precaution should be taken to prevent the entrance of political considerations and also to prevent arbitrary action.

14. In complete state budget systems it is customary to combine all budgets from institutions, departments, and agencies into one general budget before it reaches the legislature, the appropriations being later carried in one general appropriation bill; and this practice is recommended as desirable since it brings all information concerning the revenues and obligations of the state into one compact form, enabling studies and comparisons to be made.

15. Usually when the budget reaches the legislature it shows the original amounts requested by the institution; and this is recommended as advisable.

16. While there seems to be little doubt that an institution has the right to appeal from the recommendations of the intermediary agency to the legislature, this has been rarely done; and it is recommended that it be done when the conditions appear to justify.

17. In most states there has been little rivalry among institutions for appropriations; and the budget system is recommended as tending to reduce unwholesome competition for funds.

18. The budget is the nearest approach yet made by legislatures to a scientific basis for the distribution of funds; and it is recommended that all states establish such systems, as productive of economy and efficiency in managing the state's finances.

19. No institution keeps an accurate record of the amounts requested and the amounts granted through a period of years; and it is recommended that this be done as a guide in making future requests and following budgets through their course.

20. Self-satisfaction is apparent everywhere, and usually there is no desire for changes; and it is recommended that state budget systems are desirable as being in some cases the only method by

which the proper degree of economy and efficiency may be obtained in business management.

21. The chief support of institutions of this type must come from the state; and it is suggested that it is not only advisable to extend the service of the institution to all sections of the state, but also to set forth clearly the objectives, activities, and needs of the institution in analytical form as required by the budget.

22. While the federal funds for the land-grant colleges of the entire country amount to six millions of dollars annually, this form of support goes but a little way toward meeting the total requirements of these institutions; and it is suggested that little should be expected in the way of additional support from this source for instructional purposes, because the best service which the federal government can render is probably in financing experimental and research work.

23. Many institutions have found their current incomes inadequate under present economic conditions; and one useful function of the budget should be to make it clear to the people of the state that increased support is necessary.

24. Where there is a mill tax the college has a great advantage even though the proceeds meet only a portion of the costs of operation; and it is recommended that this certain means of support be secured wherever possible.

25. Budget forms now in use vary considerably in content and manner of presenting facts, but the essentials are the same, it being required that both income and expenditure be set forth in analytical form and compared with at least one year of the preceding bien-nium, and that increases and decreases be shown and explained; and it is recommended that such forms be made as compact and easy to follow as possible, after the order of the form used at Minnesota.

## CHAPTER V

### THE FINAL, OR WORKING, BUDGET

#### A. DEFINITION AND RELATIONSHIP

The final, or working, budget, as explained in the preceding chapter, is one of the principal parts of the budget system as applied to colleges. After the budget of requests has been finally disposed of by the legislature and the appropriations have been made, then comes the working budget as a plan for the expenditure of the available revenue during the year. It may be the tentative budget revised in accordance with the action of the legislature, or it may be an entirely new budget.

The importance of the working budget can scarcely be over-emphasized. The necessity for something of the sort is so apparent that institutions where there is no real budget system frequently have a working budget, in one form or another. It bears the same relationship to the operations of the year as the working plans for a building bear to the construction of that building. The complete working budget may be looked upon as a guidebook to all the activities of the college, setting forth their relative importance in terms of money and their relationship to one another. It presents in a more effective way than that afforded by any other device an analysis of the entire organization and work of the institution, and it gives one a better insight into the management, the extent and variety of its activities, and its general efficiency than may be had in any other way.

So important is the working budget that it may be considered as the center of the entire business administration of the college. The hopes of all departments are embodied in it so far as there is any possibility of their realization within the period covered by it. The work of every division and every enterprise at the college revolves about it. It merits, therefore, the best attention that can be given to it; and it is not too much to say that the manner in

which it is worked out and followed is an index to the efficiency of the institution.

#### K.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning the working budget appear to justify the following conclusions and recommendations:

1. Practically every college claims to have a working budget, but there is great difference in its completeness; and, since it is the center of the financial administration of an institution, it is recommended that it be given most careful consideration and be made as complete as necessary to cover every activity and financial interest.

2. Regardless of the classifications of the state budget system the appropriations are usually made by legislatures in a few large amounts, giving the college authorities latitude in adjusting the distribution to suit current needs; and this is recommended as desirable practice.

3. While a few of the colleges studied have the disposal of the funds collected by them from various sources other than state appropriations and federal grants, the tendency is to require that all such receipts be reported in budget revenue estimates and be reappropriated; and this system is not objectionable provided it does not impair the efficiency of the institution in any way, it being specifically recommended that revenue produced by any given department be set apart entirely for the benefit of that department.

4. The most common legal restriction refers to the exceeding of amounts appropriated, but this is not enforced in many cases; and it is recommended as being the safest policy not to exceed amounts appropriated except where there is an emergency fund.

5. Borrowing funds or using budget allowances prematurely should not usually be necessary in a well-managed budget system; but, since it has to be resorted to occasionally for good reasons, it is recommended that there be no restrictions against such practice provided there is assurance that there will later be sufficient funds to cover.

6. Many institutions allow deficits to accumulate, with a view to asking the legislature to appropriate funds to cover; but this is

<sup>1</sup> Sections B-J may be found on pages 79-106 of typewritten manuscript.

not good business practice, is not in accord with the principles of the budget system, and should be permitted only under extreme circumstances.

7. Usually by state law unused portions of state appropriations lapse into the state treasury at the close of the budget period; but this is seldom permitted to happen, and when it does occur it is probably evidence of inefficient management; and, in such cases, it is recommended that steps be taken to remove the inefficiency.

8. Few land-grant colleges have endowment funds or funds in hand not needed for immediate expenditure, but there is no legal restriction to be found concerning such funds; and it is recommended that the greatest freedom be allowed institutions having them, provided the proper report be made to the public concerning them.

9. Practice varies in different states as to how the funds appropriated by the state may be drawn by the college; and it is desirable that such funds be made available to the institution at such times and in such amounts as will enable it to meet its obligations promptly.

10. The working budget is usually prepared immediately after the appropriations are made by the legislature; and it is desirable that this be done, if possible, before the opening of the fiscal year to which it applies.

11. The working budget sometimes has a complete and detailed classification, serving as an analysis of the entire work and organization of the institution; and this type of budget is recommended as valuable for all institutions.

12. In practically all cases the president decides as to the allocation of funds to the various departments, and in most cases this is done in co-operation with the deans and heads of departments; and it is recommended that members of the staff be given as large a share as practicable in the distribution of funds.

13. In something over one-half of the cases the trustees or some authority corresponding to them must approve the working budget, and in the other cases the president's approval is sufficient, but where the former is the case it is rare that changes are made; and it is recommended that the distribution in the working budget be



left largely, if not altogether, to the president and his associates within the institutional organization, since they are closer to the needs to be met.

14. In a majority of colleges the heads of departments are formally notified of the amounts carried in the working budget for their respective departments; and it is recommended that this be done in all colleges.

15. After notification of the amounts carried in the working budget for them, the departments are usually authorized to proceed to expend not in excess of the amounts allotted; but ordinarily requisitions must go through the regular channels to the business office and all purchasing must be done by the purchasing agent of the college; and this is recommended as good practice.

16. Where there are complete budget systems the budget and its accompanying records form a valuable means of controlling expenditures; and it is recommended that this be considered a chief function of the budget and be made useful to the greatest possible extent.

17. It is customary to set up ledger accounts to correspond to the classification of the budget, which saves time and promotes efficiency in accounting and controlling; and it is recommended that the ledgers be arranged according to the budget classifications in all cases.

18. A majority of the colleges keep a cumulative control record, and one-third of them issue regularly a monthly control statement to the various departments, but few of these include the outstanding obligations or incumbrances, hence the balance shown is not the real net, or free, balance, and is misleading; and it is recommended that the outstanding obligations be always included in such statements, being deducted from the balance in hand so as to indicate the actual free working balance.

19. There is as a rule considerable flexibility in the working budget, the president having authority to make shifts in the amounts, and usually the heads of departments being authorized to do this within the totals allotted to their departments; and it is recommended that such freedom is desirable, and that a reserve be provided for the use of the president in meeting emergencies.

20. Few institutions keep a formal and complete record of changes made in the working budget; and it is recommended that such a record be kept continuously throughout the year for use in making up the budget of the ensuing year.

21. Promises concerning the budget made to heads of departments and others appear to be seldom recorded; and it is recommended that this always be done promptly through confirmatory letters or memoranda of which copies are filed in the office of the official making the promise.

22. There is apparently much self-satisfaction concerning the working budget systems now in effect at the colleges visited, and comparatively little knowledge of what other institutions are doing in this direction; and it is recommended that the business officials of every institution study the methods in use at other institutions with a view to possible improvements in their own methods.

23. The essential forms in connection with the working budget are: (a) a budget request form, (b) a control ledger form, and (c) a monthly control statement form; and the budget, if printed, will serve to inform the departments of their apportionments; and it is recommended that a full set of such forms be devised to meet the needs at each institution.

## CHAPTER VI

### BUDGET FORMS AND CLASSIFICATIONS

#### A. IMPORTANCE AND DIFFICULTIES OF CLASSIFICATION

The usefulness of a budget system depends largely upon its classification. The chief purpose of a budget is to present an analysis of the business of the institution, and this is done by means of the classification of items of income and expenditure. It is, then, a most important feature of every budget, and one of the most difficult. The difficulty of deciding upon a suitable classification is recognized in accounting in general; and it may hardly be said that any classification is ever all that might be desired.

It is easy to run into extremes in devising classifications. Some are so general and are confined to such a few items that they are altogether inadequate as an analysis, while others are so detailed and contain so many items that it is most difficult to operate the accounting. Where the items are too few, one fails to find what he wants without laborious selection, possibly from original vouchers; and when the items are too numerous, the accountant is often in doubt and spends much time in making decisions as between two accounts either of which would probably serve the purpose as well as the other. One must seek a mean between these extremes which will give all the analysis needed for the purposes of the institution and at the same time not be wasteful of the time of the accounting force.

In passing on the fitness of any particular classification, the end and purpose for which it is made must be the criterion. It is always the purpose of a classification to provide summaries for use in reporting and studying financial facts, and usually these summaries lead up to the balance sheet. The classification should be determined by common-sense requirements, and should carry titles which clearly indicate the purposes for which the accounts are intended, and therefore needing little explanation.

There is no more important feature of accounting than the correct classification of accounts. It is necessary that every transaction find its right place in the records. Before a transaction is recorded, an accurate analysis must be made of it to determine the main group of accounts to which it belongs, and after this further analysis must be made to fit it into its proper place under an account title in the main group.

In the case of most educational institutions the fault is to be found with the general type of the classification rather than with too much detail. Some budgets fail to present an analysis of the business of the institution because they carry so few items that there is little real classification. The tendency to err is decidedly in this direction rather than in that of presenting too much detail. This will appear from the specimen classifications included in this chapter.

#### J.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning budget forms and classifications appear to justify the following conclusions and recommendations:

1. In most cases the three main divisions of the land-grant college—resident instruction, agricultural research, and extension service—are treated in separate budgets; and it is recommended that this be done in the interest of good accounting and to prevent misunderstanding as to the uses to which appropriations are put.

2. Most of the colleges include no item for research other than the provision made for the agricultural experiment station, and where there is an engineering experiment station or where research is done in other divisions, such provision as is made is included in other items; but it is recommended that, in view of the importance of research in the lines represented in colleges of this type, definite amounts be set apart for research.

3. A majority of the institutions maintain some sort of special budget in addition to the main college budget; but in the interest of system it is desirable to include all activities and functions in one general budget; and where separate budgets must be carried it is

<sup>1</sup> Sections B-I may be found on pages 113-34 of typewritten manuscript.

recommended that their classifications conform to the classification of the main budget.

4. In most cases income and expense in each main division are kept strictly apart from the other divisions in the accounting; and it is recommended that this be done even though the funds are actually deposited together in one account.

5. Income from all sources is usually put together in the income budget, but each fund is shown separately, particular care being exercised in regard to the federal funds; and it is recommended that this be done and that the practice be as carefully followed with state funds as with federal funds.

6. It is customary to segregate capital outlay from operation and maintenance expenses; and it is recommended that this be always done, since the former adds to the permanent assets of the institution and indicates development.

7. While most of the classifications at these colleges are simple and brief, and while these are desirable qualities in all systems, care must be taken that budgets are sufficiently analytical to supply the information desired of them economically and accurately; and to this end it is recommended that budgets be classified by (a) function (b) character of expenditure—operation and outlay (c) object of expenditure and (d) such subheads under the last named as may be advisable, useless detail being avoided.

8. Recognizing the difficulty of securing a properly uniform interpretation of the budget classification, some institutions have all classifying done in the central accounting office, while others issue more or less detailed instructions; and it is recommended that the classifying be done first in the department where the charge originates and later checked for verification and correction if necessary in the accounting department, in order that the departments may be in better position to control the expenditure of their budget allotments.

9. Practically nowhere has any attempt been made to distribute the cost of general utilities or overhead expenses of any kind among the departments in proportion to the benefits they receive from them, and it is generally considered by business officials that the results of such efforts do not justify the cost of making them, and

that it is difficult if not impossible to find an equitable basis for such distributions; but it is suggested that the whole question is worthy of consideration by our best college accountants, and studies in this field should be continued.

10. In but few cases have computations been made to show the relative cost of heating, lighting, etc., for the various portions of the physical plant; and it is suggested that this is feasible and might lead to important results in the operation of present buildings and in the designing of new buildings.

11. Most institutions have certain self-supporting utilities rendering service for pay to students and perhaps also to the public; and it is recommended that all revenue from such activities be used exclusively for the benefit of the activity producing it.

12. The working budget should completely cover all activities of the institution; it should be well arranged, so as to give clearness and ease of reference; it should have such serial numbers, symbols, and cross-references as will add to convenience of use; it should have useful summaries; if large it should be indexed; it should have blank spaces to accommodate changes during the year; and it should be printed or mimeographed in a sufficiently large edition to supply all who need it; and it is recommended that institutions which do not now have such budgets make a study of the specimens presented in this chapter, and if possible also of the complete budgets from which they are taken, or similar budgets to be found elsewhere, taking steps to provide a suitable budget for their own institutions.

13. The classifications of most institutions appear to contain too few divisions to furnish a complete array of facts, and the classifications of a few institutions go to the opposite extreme and cause a waste of time with unnecessary detail; and it is recommended that each institution seek to devise a classification which will be between the extremes, and satisfy all analytical needs, while at the same time capable of economical operation.

14. There appears to be great self-satisfaction at most institutions with regard to the classifications now in use, but the outsider has often difficulty in locating the information he desires for comparative purposes or in obtaining an adequate idea of the activities

of the institution; and it is recommended that college officials scrutinize carefully their present classifications and compare them with others, to ascertain whether they are sufficiently clear and detailed to meet the reasonable demands of those without as well as of those within the institution, making such changes and additions as may seem desirable.

## CHAPTER VII

### ACCOUNTING AS A BASIS FOR BUDGET-MAKING

#### A. PURPOSES OF COLLEGE ACCOUNTING

It is said that soon after the Federal Trade Commission began its work it discovered that more than 75,000 corporations in America were running at an annual loss, and that three-fourths of all concerns engaged in trade and industry were making smaller profits than they normally should realize, largely because they did not have the proper methods of accounting and cost-finding. The Carnegie Foundation for the Advancement of Teaching, in its *Bulletin No. 3*, is authority for the statement that "the great mass of institutions of higher learning in the United States bearing the name college or university make no public accounting of the disposition of the moneys which they receive"; and it is fair to assume that this is largely due to the fact that the accounts are not kept as they should be to supply the kind of information that is desired.

Accounting is record-keeping. An account is a record of one or more items, either similar or dissimilar, relating to the same person or thing, kept under an appropriate heading. The heading, or title, of an account should indicate clearly the content of the account. Every business transaction at an institution constitutes the reason and the material for an item to be recorded. Before a transaction may be recorded it must be analyzed into its elements and classified in accordance with the classification followed at the institution. After it is classified it is merely a matter of recording it in accordance with the practice of good accounting.

To promote the efficiency of an institution it is necessary to have a wide knowledge of the existing facts. The most reliable method of supplying such knowledge is through quantitative data afforded by a complete and accurate system of bookkeeping. The utility and the validity of data depend upon the form and method of collecting, recording, and presenting them. While many of the same principles are involved, the bookkeeping of an educational institu-



tion is different from that of an industrial or commercial establishment, but it is in no sense less important. The budgets of colleges are mounting higher and higher in total amount each year. It is by no means true that the efficiency of an institution varies always in direct proportion to the amount of its budget.

The successful business executive, whether of an industrial plant or of an educational institution, must have the data which will enable him to study every phase of the operation of his business, and to find out what every service and activity is costing. With such information may be answered the question that is constantly being raised as to various projects being worth what they cost. Without such information the management must be unscientific and fall short of the requirements of efficiency and economy.

The function of accounting has often been conceived of as being merely or largely a means of insuring honesty on the part of officials charged with the responsibility of handling funds, particularly public funds. As an evidence of this may be cited the law which exists in some states requiring the entire list of vouchers issued at all state institutions to be printed in the annual or biennial reports. But the real function of accounting is far more than this, just as it is also far more than mere bookkeeping, however important the latter may be. An adequate accounting system should provide those in authority with not only an accurate gauge of the efficiency of the various elements that go to make up the organization and work of the institution and the cost of the same, but also a sure foundation for the determination of future policies for the institution in all of its divisions. Expenditures and requests to cover further expenditures must be justified by the results accomplished and service performed. Accounting data as forming a gauge of efficiency may be applied historically or currently. One may study the cost of a given department comparatively through a period of years, and thus obtain valuable guidance for formulating future budgets; or one may study costs in his own institution in comparison with costs for like functions, services, and objects in other institutions, and thus learn much on which to base his policies for the future as well as much concerning the relative efficiency of his own organization. But none of this may be done without an

adequate accounting system to supply data in complete, comparable, and reliable form.

The system of accounting should be as simple as possible to require the minimum expenditure of time and energy in its application; but at the same time it must be adequate to supply all the data required by the various officials of the institution, by the state and federal governments, and by the interested public. It should be such as to enable the interested person to select those items of income and expense which are most significant in the operation of the institution, and to get an accurate conception of the entire organization and activities with a minimum of effort.

So far as budget-making and budget-using are concerned, accounting lies at the very foundation of both and makes them significant or worthless.

#### K.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning accounting as a basis for budget-making appear to justify the following conclusions and recommendations:

1. Comparatively few of the states require a uniform system of accounting to be followed; but whether this be done or not, it is desirable that the classification used in the accounting shall follow the classification of the budget, with perhaps considerable detail added, and it is recommended that this be done.

2. Wherever there is a complete working budget it is customary to find the ledger headings corresponding exactly to the titles of the budget; and it is recommended that this be done always, in the interest of economy of time in comparing the records.

3. There is great lack of uniformity in the fiscal year observed at the different institutions; and it is recommended that a uniform fiscal year be adopted throughout the United States for all of the land-grant colleges as soon as practicable.

4. In some cases the fiscal year does not coincide with the federal year, in some it does not coincide with the state appropriation year, and in some there are other differences, all of which complicate the records, the financial reporting, and other features

<sup>1</sup> Sections B-J may be found on pages 142-66 of typewritten manuscript.

of the work, and create an undesirable situation; and it is therefore recommended that the fiscal year be made to extend from July 1 to June 30, which is the federal year, which is often the state appropriation year, and which is the year usually followed by industrial and commercial organizations.

5. At practically all institutions the bookkeeping is such that educational accounts may be segregated from non-educational accounts if desired for comparative or other purposes; and it is suggested that this should always be the case, and that in reporting it would be well to show the relationship of the two groups of expenditures through a period of years, and perhaps also in comparison with other institutions for similar periods.

6. Usually accounts are kept in such a manner that the cost of operating the several departments may be determined; and it is recommended that this be done.

7. In but few cases are overhead costs prorated among the various departments; and it is recommended that this be done as far as practicable in all divisions of all institutions.

8. Very few institutions in the group studied have made any attempt at cost-accounting, but studies made elsewhere and now under way at one or more colleges in the group show that there are possibilities in this direction; and it is recommended that our college accountants extend the efforts along this line as rapidly as practicable.

9. In the computation of costs, such as the cost of instruction in the various departments, it is exceedingly important that the factors which enter into the matter be carefully considered, particular caution being necessary in using the student unit; and it is recommended that in such computations appropriate weights be attached to provide for differences in length of attendance, in type of work done, etc.

10. In such computations as those just mentioned the instructor's load is usually involved, and this must include the *extra*-classroom load as well as the actual time devoted to teaching; and it is recommended that care be taken to get complete data concerning this before the computations are completed.

11. The cost of the general business office is seldom divided among the departments of the college; and it is recommended that this as well as all other overhead cost be divided as far as may be practicable, on an equitable basis.

12. Some institutions have published "per capita costs" based on gross enrolment and total amount expended for operation; but such statements are meaningless and misleading, and it is recommended that they be discouraged until discontinued.

13. It is apparent that the large number of variable factors involved in any attempt at college cost-accounting tend to invalidate the results secured; but it is recommended as desirable that efforts in this direction be continued, with due caution as to the unqualified acceptance of results.

14. Accruals and balances where they exist are usually shown in the accounting and in the reporting; and it is recommended that this be always done so that it will be clear how the period begins and how it ends.

15. Accounts payable and accounts receivable are apparently never included in the college budget, although they are sometimes shown in the financial report; and it is recommended these be included in the budget, if they are considerable, and also in the financial report, which should show the names and amounts or other particulars as may be advisable.

16. Most of the colleges have summer sessions, and in all cases the finances of the summer session are handled independently in the budget, and this is desirable in so far as there is need to determine the cost of the summer session as distinct from the regular session; but the summer session should be considered an integral part of the college year and an altogether legitimate portion of the college work, and to this end its operation should be provided for within the general college budget.

17. The separate sets of books formerly found in these colleges have given way to loose-leaf ledgers and other record books containing the bookkeeping for all phases of the work of the institution in what is practically one set of books; and this practice is recommended as being in accordance with modern business methods.

18. Without exception the colleges carry building costs and costs of other important permanent improvements in separate accounts; and it is recommended that individual accounts be maintained for each building, large land acquisition, or other important addition to the permanent assets.

19. In but few cases has any attempt been made to compute the cost of buildings per square foot or per cubic foot or per student accommodated, but the few efforts that have been made indicate that there are possibilities in this direction the realization of which might prove valuable in the construction of buildings or in estimating the cost of same; and it is recommended that officials in charge, with perhaps the assistance of architects, make such calculations.

20. That there is great variance of conception as to the function and scope of college accounting, with a disposition on the part of some officials to do no more than is imposed by the federal government or state authorities, but the more progressive institutions are recognizing a wide field for usefulness in accounting as affording an analysis of the institution as a basis for the formulation of plans and policies; and it is recommended that this latter view be considered the correct one and that action in accordance with it be encouraged.

21. The distribution ledger is the core of the entire accounting system; and it is closely related to the budget; hence the greatest care should be taken to devise the best possible form of ledger page from the standpoint of completeness and economy of operation; and it is recommended that accounting officials make a study of the best forms to be found at the various colleges of similar type and adapt the most desirable features to their own individual uses.

22. It is necessary to provide for distributions according to the federal requirements and also according to the state budget or college budget classifications; and it is recommended that such a form of ledger page be adopted as will satisfy both of these in one.

23. For ready reference and use in controlling expenditures a summary ledger is desirable; and it is recommended that this show outstanding obligations as well as balances so that it may be of the greatest value by presenting complete information as to the actual free working balance for each department.

## CHAPTER VIII

### SALARIES IN BUDGETS AND ACCOUNTING

#### A. RELATIVE POSITION OF PAYMENTS FOR PERSONAL SERVICE

However one views the management of an institution, he must consider personal service the most important consideration involved. The total amount assigned to payments for personal service is, with the possible exception of occasional large items for permanent improvements and additions, far beyond the total for any other division of the budget, and this makes up the major share of the cost of operation of every college. So much is this the case that sometimes, where there is an incomplete budget system, there are but two classification groups under operating expenses, namely, "salaries" and "current expenses," the latter including everything except salaries and usually being in the aggregate considerably less than the former in amount.

Because of their dominant importance, at some institutions a separate budget and a separate ledger are kept for personal-service allotments and expenditures. The inspection of any complete budget, such as that used in Minnesota for example, will impress one with the large amount of space devoted to salary items.

The adjustment of salary rates is one of the most serious problems faced by every college administration. The root of the problem is the adequate financing of the type and size of staff which the administration believes should be in an institution; and while that is not the problem with which this study is concerned, it is important that the mechanical aspect be simplified and systematized as much as possible. To that end forms will be presented for the making of appointments, changes, promotions, etc., in the staff, for the recording of these, for the budget requests, and for other parts of the work of salary-fixing and salary-accounting.

H.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning salaries in budgets and accounting appear to justify the following conclusions and recommendations:

1. In most cases salary increases do not date from the beginning of the fiscal year, and the favorite date for beginning them is September 1 for instructors and July 1 for other employees; and it is recommended that these dates be used.

2. Some complications, more or less unimportant, are caused by the lack of correspondence between the salary year and the appropriation year or fiscal year, but no inaccuracy need result if the records are properly kept; and it is recommended that salaries be charged in each month as they are paid.

3. About one-half of the colleges pay their salaries in twelve monthly instalments, while others vary from nine to twelve according to the length of the employment period; and it is recommended that the uniform practice of twelve monthly instalments be followed regardless of the length of the employment period.

4. As a rule there is no fixed, automatically operating schedule of salaries, but in one-half of the cases there are well-recognized ranges of salaries for the various grades of positions, and while the fixed schedule insures impartiality and certainty to the members of the staff, there are so many factors besides length of service entering into the determination of the comparative worth of individuals to the institution that it is recommended that a range of salaries rather than a fixed schedule be followed.

5. Four of the states whose colleges were visited have made some attempt to "standardize" salaries, but it appears that thus far little has been accomplished; and it is recommended that great care be exercised in such endeavors lest the result may detract in some manner from the efficiency of the college, which is a very different type of institution from the other state-supported institutions, departments, and agencies.

6. In a few states where a civil-service system operates for the selection of certain types of employees, the results have been

<sup>1</sup> Sections B-G may be found on pages 173-92 of typewritten manuscript.

unsatisfactory for the colleges; and it is recommended that in such states the college be exempt from its operation.

7. In some institutions the heads of departments and the deans recommend the salaries for the members of their departments and divisions for inclusion in the budget; and this is recommended as good policy and in accord with the present tendency toward democracy of administration.

8. It is not only necessary to keep an account of the budget allotments and the payments made from month to month on salaries in accordance with the budget allotments, but it is also necessary to keep an accurate record of changes in the budget throughout the year, and for this purpose ledger forms such as those in use at the Ohio institution are recommended.

9. Some institutions require the departments to submit each month a requisition for the salaries of all members of their departments; but, if the records are properly kept as suggested in the foregoing recommendation, this is an unnecessary procedure; and it is recommended that requisitions be not required.

10. A combination check and receipt for the payment of salaries, such as that used at Indiana—perhaps without the duplicate receipt feature—seems to be the best method now in use at these colleges for this purpose; and such a form is recommended.

11. It is desirable to send a formal notice to the party of chief interest, and to send copies of the same to all others concerned, in the case of some change in the status of a member of the staff, or of a new appointment; and it is recommended that a combination form similar to those exhibited in this chapter be available for the purpose.



## CHAPTER IX

### MANAGEMENT OF SUPPLIES AND INVENTORIES

#### A. IMPORTANCE OF THIS PHASE OF BUSINESS MANAGEMENT

In the purchasing and handling of various commodities and in the taking and keeping of inventories, the management of an educational institution parallels the management of an industrial enterprise perhaps more closely than at any other point. The application of the methods of the business world is so obviously needed here, and so apparently possible here, that in practically all of the colleges we find a better organization and a better procedure in this connection than anywhere else in their entire program of activities. This may be due to the alert and capable business men usually found in charge of these features of administration, but it is also due to the precedents long established in trade and industry.

The relative importance of this phase of business management in our colleges, especially in the larger universities, where thousands of dollars' worth of merchandise in great variety is purchased and must be accounted for each month of the year, is such that it merits the most serious attention of business officials in order that waste may be avoided. Frequently a considerable stock of staple articles must be kept on hand, for prompt service to the various departments as well as for the saving which comes from purchasing in large quantities. The inventory is important, for both consumable and permanent property. In some cases the college operates semicommercial departments, which use a large amount of supplies and equipment, and in some instances, like printing departments, turn out stock to be sold or consumed by the departments of the institution, thus adding to the problem of handling and accounting for supplies.

The various systems in use for the handling of supplies and the management of inventories may be best understood from the printed forms used. These are quite numerous in the more com-

plete systems. Enough such forms are reproduced in this chapter to enable one to outline a system adapted to the needs of his own institution.

#### J.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning the management of supplies and inventories appear to justify the following conclusions and recommendations:

1. While two-thirds of the colleges studied exhibited some sort of an inventory, in only one-third of them was found a systematic, cumulative inventory; and it is recommended that such an inventory be kept.

2. At several institutions are found complete card files with an individual card for each article included in the permanent equipment; and it is recommended that all institutions establish such systems as may be found at Ohio, Pennsylvania, and other colleges.

3. In taking the annual inventory it is the practice at some of these institutions for a representative of the business manager to check the equipment in each department in company with a representative of the department; and this plan is recommended.

4. In a few institutions it is the custom to transcribe inventory data from the cards on which they are first recorded to large record sheets, and this appears unnecessary if the cards are well arranged in the files; and in the interest of economy of time it is recommended that this be not done.

5. In two-thirds of the colleges certain much used supplies of a staple character have been standardized by amount, kind, time of delivery, etc.; and this is recommended as advisable.

6. Most of the colleges have stores of supplies more or less extensive, the stock being limited to such articles as are being constantly called for in the different departments; and this is recommended as a desirable plan.

7. Some institutions buy a few articles on specifications prepared for competitive bids, the practice in most cases being to purchase in the open market by current quotations; and the latter is recommended as wiser except in the case of certain special supplies used in large amounts and universally standardized.

<sup>1</sup> Sections B-I may be found on pages 197-227 of typewritten manuscript.

8. Although eight of the states have state purchasing bureaus, in only one case is it compulsory to purchase college supplies through the state bureau, and here the system is unsatisfactory; and it is recommended that colleges be exempted from all such requirements with the privilege of using such means in any case where it appears advantageous to do so.

9. As a rule the larger colleges have completely organized purchasing offices, and their methods are according to good business principles; and, with the possible exception of the very small institutions, it is recommended that there be a well-defined purchasing division.

10. If an institution be too small to justify the maintenance of a purchasing division, it is recommended that certain printed forms as suggested in this chapter be adopted for use in the office of the treasurer, business manager, or other officials having charge of the business affairs.

11. In the few cases where the supplies are handled in an unsystematic manner, it is due largely to the fact that departments are permitted to purchase for themselves; and this is not good practice, and it is recommended that all purchasing be centralized.

12. At some institutions supplies shipped in are delivered directly to the departments for which they are intended, sometimes resulting in loss and confusion, due largely to the failure of shippers to address shipments properly; and it is recommended that where practicable all goods be checked on invoices by a receiving clerk, and where this cannot be done, that special effort be made, through labels such as are used at Wisconsin or other devices, to insure proper addressing of shipments.

13. Where there are complete systems of handling supplies they are accounted for in permanent records, but at no place does it appear possible readily to ascertain from any one record just what supplies used in a given period were bought and paid for in that period, and what were brought over to or carried over from that period; and it is suggested that a summary made from inventories, requisitions, and expenditure records, to present this information in one statement, would be helpful.

14. In a few cases funds collected from students for laboratory supplies or breakage are used by the department independently, but this is exceptional and is not good business practice; and it is recommended that all moneys collected for any purpose be handled by the central business office and disbursed from there only.

15. With very few exceptions college officials are satisfied with their present systems of handling supplies and do not anticipate making any changes, and in most cases this satisfaction is justified because of the well-organized systems in use; but it is recommended that such institutions as have not established satisfactory systems study one or more of the complete systems mentioned in this chapter and work out a plan adapted to their needs.

16. Even more than in other phases of business management, the printed forms used are a true index to the completeness and efficiency of the system in use for handling and accounting for supplies, and from them may be obtained a very adequate idea of the methods followed; and it is recommended that institutions desiring to improve their methods make a study of such complete sets of forms as may be found at Wisconsin and Minnesota, selecting and adapting such as meet their own requirements.

17. A complete system of handling and accounting for supplies requires that proper provision be made for: (a) requisitioning, including interdepartmental business; (b) obtaining quotations; (c) issuing purchase orders; (d) following up orders; (e) receiving and checking; (f) distributing to departments; (g) recording all transactions; and (h) making and keeping records of inventories; and it is recommended that all institutions scrutinize their present methods with reference to these requirements to discover where improvements can and should be made.

## CHAPTER X

### COLLECTING, PAYING, AND REPORTING

#### A. VARYING PRACTICE IN THE HANDLING OF FUNDS

Collecting and handling funds at land-grant colleges embraces the collection of funds granted by the federal government, of amounts appropriated by the state, of charges made against students, and of accounts due by others for services rendered by service departments or articles sold. It is well to consider in connection with the collection of funds the paying of accounts to those within and without the institution, and the recording of all such transactions.

Practice in the handling of funds varies through all degrees from the institution which collects from every source available, handles all of the moneys, and pays all of the accounts, as at R,<sup>1</sup> to the institution which handles practically nothing but the collections from students, turning in its receipts to the state office designated to receive the same, the latter doing all the accounting and paying all the bills, as at P.

In the larger institutions there is usually a well-organized bursar's office, which attends to all cash transactions, and in the smaller institutions the treasurer or business manager makes collections through clerks under his immediate supervision.

#### J.<sup>2</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning the collecting, payment, and reporting of funds appear to justify the following conclusions and recommendations:

1. Except in the case of living expenses there seems to be no clear basis for the amounts charged students at most institutions; and it is suggested that college officials should compute carefully

<sup>1</sup>In the complete dissertation the institutions in the group studied are lettered in order to make the data impersonal.

<sup>2</sup>Sections B-I may be found on pages 232-66 of typewritten manuscript.

the actual need for certain fees and the necessary amounts to cover the purposes for which they are intended.

2. Nowhere are fees paid by students segregated to the specific purposes for which the names of the fees would indicate they are intended, the custom being to put all proceeds from such sources into the "general fund"; and it is suggested that, strictly speaking, this is not equitable from the standpoint of the students.

3. In most cases where colleges conduct dining-halls, laundries, etc., for students, the charges are based on as near actual cost as possible; and it is recommended that this be done, precaution being taken to protect the institution against loss.

4. The purpose of college fees is presumably to supplement the appropriations made by the state; and, except in the case of tuition, it is recommended as logical that the proceeds from student fees be used for meeting such needs as the state does not usually care for, and especially such as relate more intimately to the students themselves.

5. Although in some states the collections made at the college are used there without restriction, the tendency is to have all receipts from every source reported for reappropriation by the legislature; and where this is done care should be taken that the amounts appropriated equal in each case at least the amount of the receipts for the given purpose; otherwise it is not equitable for those who pay these amounts for certain specific purposes.

6. Practically everywhere students are required to pay all college charges promptly before being enrolled in classes, consequently the losses from this source have been quite small; and it is recommended that the advance-payment rule be strictly enforced unless the student can give a form of security satisfactory to the business manager.

7. Practice varies in the handling of breakage deposits and similar guaranties; and it is recommended that a deposit be required at the beginning of the term, which shall be drawn upon from time to time as needed to cover charges against the student, the balance being returnable at the close of the term.

8. A few institutions permit laboratory deposits or similar funds to be handled by the departments concerned, but this is not the best

practice; and it is recommended that all such funds be handled by the business office, with suitable reports exchanged between the central office and the departments, by means of a form similar to that used at Indiana.

9. Some institutions operate departments doing commercial work, and permit funds to be collected in payment therefor, and perhaps also paid out, independently of the central business office and outside of the regular college budget; but this is not the best practice, and it is recommended that all such matters be centralized in one general business office, with a proper system of exchanging information with the departments, and that all such business be included in the college budget.

10. The primary object of a college is education, and where commercial work is done in any department it must take second place to the educational interests and activities of the department; and it is recommended that care be taken to insure that the receipts from commercial work shall be altogether sufficient to cover the expense involved, so that the commercial phase will always be self-supporting and never be conducted at the expense of the educational phase.

11. At most institutions there is considerable interdepartmental business; and it is recommended that such transactions be carefully recorded and balanced by cross-vouchers of charges and credits to indicate the true conditions in the departments concerned.

12. It is customary to take great care in matters of reimbursement of members of the staff for personal expenses incurred in traveling; and it is recommended that complete vouchers be filed in all such cases.

13. In some states the law requires that an affidavit shall be made to all accounts submitted for payment, but this is not usually necessary; and it is recommended that it be required only where the law so specifies or where there is some doubt as to the validity of the claim.

14. The federal requirements as to vouchers are rigidly enforced, and for this and other reasons it is recommended that great care be exercised in maintaining a complete and accurate file of vouchers for all disbursements.

15. The check-voucher form found at a few institutions is saving in time and efficient in results; and the form used at New Jersey, or a similar form, is recommended.

16. Where departments are permitted to collect funds, they are usually required to report the same promptly to the central business office; and it is recommended that this be required in all cases.

17. While in some institutions, both large and small, it is required that the collecting officer shall make a daily written report of all collections and other transactions for which he is responsible, this does not appear necessary, particularly in the smaller colleges, unless the written report is intended to serve as a cashbook record; and it is recommended that it be not usually required, but only where conditions seem to make it necessary.

18. Student deposit and checking systems are sometimes found to be a great convenience; and the forms used at Connecticut are recommended as suitable for this purpose.



## CHAPTER XI

### SOME ADDITIONAL CONSIDERATIONS IN BUDGET-MAKING

#### A. DETERMINATION OF BASES FOR BUDGET-MAKING

In the preceding chapters have been discussed the chief considerations which enter into the making and using of budgets, and it remains to mention a few miscellaneous considerations. Since the purpose of the budget is not only to list the needs for an ensuing period and to give comparative data from preceding periods, but also to furnish a complete analysis of the organization and activities of the college, everything which might have any significant influence in shaping the budget should be brought into consideration.

The participation of members of the business and instructional staffs in budget-making has been given attention, and the importance of accounting as furnishing the necessary data on which the work of budget-making is based has been emphasized. Classifications and the printed forms used in the process of compiling the budget have been illustrated. Certain special phases of business management, the handling of personal-service items, the management of supplies and inventories, and the collecting and paying of accounts, have been treated at length because of the important bearing which all of these have upon the making of the budget and its use after completion.

In this chapter will be considered some general policies in budget-making, and the part which a few more or less important items not heretofore mentioned should have. These items include repairs, insurance, depreciation, and scholarships and student aid.

#### I.<sup>2</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning certain general policies and special considerations in budget-making appear to justify the following conclusions and recommendations:

- I. There is a difference in the degree to which the colleges of the group permit their budget-making to be influenced by the

<sup>2</sup> Sections B-H may be found on pages 272-81 of typewritten manuscript.

closing period's facts on the one hand or by the ensuing period's needs on the other hand; and it is recommended that, while both should be taken into consideration, the chief value of the former should be for comparison, and the latter should have the greater influence in shaping the requests for a progressive institution with plans for future development.

2. There is nothing to show that anything more than the initial cost of new activities, buildings, etc., is taken into consideration when these are put into budgets; and it is recommended that in most cases it should be indicated what the cost of operation and maintenance as a permanent addition to the annual budget will probably be.

3. At present there appears to be no effort to indicate the use and non-use of building space in making requests for additional buildings, except general statements contained in campaign literature; and it is recommended that some method be adopted for exhibiting definitely the extent to which present buildings are used, underused, or overtaxed.

4. While some institutions have endeavored to place before the public their needs in the form of printed statements, and these are doubtless useful within their sphere, it is recommended that the budget be the chief means for supplying complete and accurate data to those who are charged with the responsibility of appropriating funds.

5. While there seems nowhere a consciously directed effort toward preventing the business or non-educational side from overbalancing the educational side, and while it may hardly be said that there is evidence of danger in this direction at any of the colleges of the group, it is recommended that college authorities and the general public give careful attention to this important question of administration.

6. The tendency to care for only actual current needs for repairs has in some cases led to a general deterioration of buildings so that now large sums will be necessary to rehabilitate them; and it is recommended that each year an effort be made to provide for such special repairs or renewals as are needed to keep the physical plant in an efficient condition and preserve it as far as possible for the future.

7. In one-half of the states included in the group no state-owned property is insured; but it is suggested that this is of doubtful advisability from the standpoint of the college unless some provision is made for the replacement of lost property.

8. Where there is a reserve fund to provide for the replacement of lost property in states where state-owned property is not insured, this is a desirable arrangement; but it is recommended that the college be not required to contribute to this reserve fund, and in no case should such a contribution exceed the amount that would have to be paid in premiums to insurance companies to secure the same amount of protection.

9. Where insurance must be carried by an institution in order to protect itself against property loss, this should be in the form of a "blanket policy," or of a "schedule," covering the entire plant, and not in the form of policies on individual buildings; and it is also recommended that the premiums be distributed as equally as possible among the years, unless the state makes a special appropriation in certain years to cover the insurance which falls due.

10. In five cases some effort has been made to compute depreciation and allow for it in the budget; and it is recommended that college officials consider the advisability of including in each budget an amount for depreciation which could be permitted to accumulate gradually as a replacement fund for use when the buildings and equipment reach the end of their service.

11. Scholarships and student-aid funds are ordinarily administered by officers outside of the college business organization for the assignments to beneficiaries, and by the business officials for the actual handling of the funds; and this is recommended as the logical and best procedure.

12. In most cases scholarships and student-aid funds do not figure in the budget; but it is recommended that, in order to make the budget complete, estimated receipts for these purposes should be included and reappropriated exclusively to these purposes.

13. The tendency in the employment of student labor is to leave it to each department to employ its own and charge it against its labor account; but in such cases it is recommended that there

be a uniform rate of compensation established by the business office.

14. In the great majority of cases officials appear to be pleased and satisfied with the budget-making and budget-using methods now followed at their institutions; but it is suggested that most of them could doubtless profit by a study of the systems in use at other institutions, and an exchange of ideas and experiences should prove helpful.

15. No results were secured in an effort to supplement the questions asked in this investigation and to secure additional data; but it is recognized that considerable additional worth-while data could be secured at these institutions by following up certain lines of inquiry, and it is recommended that this be done by those who are interested in establishing or improving budget systems or any portion thereof.

## CHAPTER XII

### REPORTING FINANCIAL FACTS

#### A. PURPOSE AND IMPORTANCE OF REPORTING

Publicity concerning the finances of an institution is sure to be advantageous to it in the long run, even though at times it may appear that it is unwise to make certain financial facts known. Yet colleges have not always been ready to accept this, and meager reports have been often found, especially previous to the present decade. The law in some states requires that state-supported institutions shall print annually details of their financial management, but often these reports are in a form which makes no appeal to the reader and they remain unread.

Every state institution owes it to the public to make known in an intelligible manner its financial status, and to keep the people informed produces a reaction on the institution, which, if the work that it is doing be worthy, should be favorable and strengthening. The land-grant college, by reason of the fact that a portion of its support comes from national funds, is under an even greater obligation to present its financial facts to the people. The very fact that the federal government has required that this be done, in a limited measure, has helped these institutions.

As important as financial reporting is, it must be admitted that comparatively few people are interested in statistical and financial reports enough to read them and try to understand them, although many more would probably say that they ought to be available. There are those, however, who are, or of a right ought to be, very much interested in such reports, for instance, the administrative officials of other institutions, national and state officers, members of the state legislatures, trustees, alumni, friends, and various individuals who for one reason or another are interested in college education and especially in its cost. In some cases a complete financial statement may have a determining influence in bringing better support or substantial gifts to an institution.

The contents of every report essaying to set forth the financial status of a college should include the assets and liabilities, the income and expenditures, in such an analytical form and in such detail as may be necessary to exhibit in a complete and significant form the facts. Summaries and detailed schedules both have a place in such a report. The significant types of expenditure should be readily discernible. The report should cover the fiscal period, and should be ready for distribution as soon after the close of each year as possible.

#### G.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter concerning the reporting of financial facts appear to justify the following conclusions and recommendations:

1. It is customary for the report of the president of the college to be printed regularly, but in many instances this does not include the reports of business officials, which are often published separately; and it is recommended that, while in the larger institutions it is not altogether undesirable, in most cases the financial report should not be published separately, but as a part of the report of the president.

2. A majority of the financial reports are issued annually, but a few are issued biennially, and some colleges publish none; and it is recommended that all institutions publish an annual report.

3. The financial report is usually available for distribution in printed form to all who may be interested; and it is recommended that it be given as wide a circulation as may be necessary to reach all who should be interested in the finances.

4. While one-half of the institutions in the group claimed to have a balance sheet, the reports of only four show what may be considered a real balance sheet; and it is recommended that every financial report covering a year include a regular, clearly set-up balance sheet of current assets and liabilities, with also investment assets if there be any, and educational plant, endowments, etc.

5. In practically all cases there is a record of property valuations, and this record is printed in about one-half of the financial reports,

<sup>1</sup> Sections B-F may be found on pages 286-301 of typewritten manuscript.

but in many instances these are merely the original costs; and it is recommended that deductions be made annually for depreciation, with corresponding additions for repairs and improvements.

6. While in some cases property valuations are shown in lump sum in the balance sheet, nowhere do they appear to be mentioned in the budget; and it is recommended that a list of valuations showing deterioration of the physical plant be included with the budget in making requests for appropriations for repairs, remodeling, renovation, and replacement.

7. Trust funds, endowments, and investments, while included in the financial report, are usually not mentioned in the budget; and it is recommended that they be included in the budget as far as may be necessary to exhibit the sources of certain income items, since it is advisable that the budget show all the income of the college and the sources from which it is derived.

8. There is great variety in the financial reports of the colleges in the group, only a few being complete and arranged so that information may be had readily and accurately; and it is recommended that financial officers study the forms of such reports as those of Illinois, Ohio, Wisconsin, and New Jersey, with a view to revising their present form of reporting.

9. The most important portions of a report are the analyses of income and expenditure, the summaries of these, and the balance sheet of assets and liabilities; and it is recommended that these be tabulated in such a manner as to exhibit the significant facts in clear and compact form.

10. The financial reports of colleges at present are far from uniform in either content or method of presentation, making it difficult if not impossible to secure from them adequate comparable data; and it is recommended that the schedules of the Carnegie Foundation, or the outlines of the Association of Business Officers of the Middle Western Universities, be followed until some better system be devised.

11. Since neither of the systems mentioned in the foregoing paragraph appears to satisfy fully the requirements of a complete report from a land-grant college, it is suggested that the business

officials from the colleges in this group meet and adopt a system of uniform reporting.

12. The comparison of income and expenditure over a period of years, as shown in the Illinois, Ohio, Wisconsin, and other reports, is useful; and it is recommended that all institutions include such data, covering at least six years—and for some years to come the period should sufficiently antedate the world-war to indicate comparisons for normal conditions.

13. The distribution of overhead and of service supplied by central utilities, as is contained in the Wisconsin report, is useful; and it is recommended that such distributions be made in all reports as far as practicable.

14. The outstanding obligations or incumbrances are of much significance in determining the real financial status of an institution, but they are found in only one of the reports reviewed in this group; and it is recommended that all reports include such a statement.

15. Statistical facts can be presented effectively in many cases by the use of charts or diagrams; and those used in the Illinois report are commended as examples of what might be done in all financial reports, to the advantage of all concerned.

16. While most of the more complete financial reports contain a table of contents, only a few have an index; and it is recommended that, at least in the larger reports, a subject index also be included.

17. It is customary to print at the beginning of financial reports a letter of transmittal; and it is recommended that this letter call attention to certain unusual features, or to facts which are of particular significance, in the report, with a brief explanation where necessary.

18. It is the duty of every state-supported institution to keep the public informed as to its financial status, and this is particularly true of the land-grant college; therefore, it is recommended that the content and form of financial reports in these colleges be carefully considered, and that every effort be made to convey adequately and clearly to the public the information which is desired.



## CHAPTER XIII

### OBJECTIVES AND RESULTS

#### A. COLLEGE OBJECTIVES AS DETERMINING SUPPORT

The support which any enterprise may expect to receive is dependent upon the aims and purposes which the enterprise has clearly in view, and the degree to which it uses the facilities at its disposal for the attainment of these aims and purposes. The chief business of a college is to train minds and develop characters for service to its nation, to its state, and to its special clientèle. There are certain objectives which apply alike to all colleges; but the college which is supported by the national and state governments is concerned with some of these in an intensified degree, and such colleges have perhaps additional objectives which must be of great significance in their work and in their support.

Leaders of our national thought sixty years ago sensed the objectives which the nation should aim at in its educational efforts, hence the establishment of the land-grant colleges. The states gradually did the same thing. The chief concern of a state should be the development of intelligence and integrity among its citizens, since this is the sole foundation for permanent progress and prosperity. Material resources are an immense advantage to a state, but brain power is necessary to bring them to fruition. The objectives of any state-supported institution must be to do what the state needs to have done by that particular institution. All claims for support from the state must be based upon clearly defined needs to meet these objectives. Only in the degree to which a state college uses its facilities to meet the demands of the state rightfully made upon it can it expect support from the state; and, conversely, only in the degree to which the state supports its state college can the state reasonably expect that college to meet the demands of the state. Objectives and support are thus inseparably connected in our state colleges.

The field of the land-grant college is more definitely marked out for it than perhaps that of any other type of educational institution of its grade. The national legislation, which has been referred to in foregoing chapters, and the accompanying expressions in Congress when such legislation was pending, quite clearly indicate the objectives which this type of college should set for its work. One-half of these institutions are parts of state universities; but because of federal limitations, whether this be the case or the college is an independent institution, the sphere of the land-grant college's efforts is defined. Its objectives lie within the range of resident instruction in agriculture, mechanic arts (or engineering), and the applied sciences, of research in all of these, but particularly in agriculture, and of extension service particularly in agriculture and home economics. To these well-known functions have been recently added the duty of training teachers in agriculture, in trades and industries, and in home economics, and rehabilitation work for ex-service men.

The land-grant college in each state was established primarily for the education of the youth of that particular state for useful professional careers along the lines mentioned in the preceding paragraph. The selection of particular fields of work in each case should depend upon what the state needs for the development of its own resources. This is entirely in accord with the spirit of the federal laws. The first duty of those charged with the responsibility of administering such an institution should be to ascertain as far as may be practicable what the state needs to have done by the institution. Having thus set the objectives of the work, then, and not until then, may plans for operation and development be formulated intelligently and sanely. Having once determined positively what the job is, the proper organization for its efficient and economic performance can be settled upon, and on this basis estimates can be made of the amounts needed. Any other procedure is illogical and apt also to be wasteful.

The procedure outlined in the preceding paragraph should lead to the compilation of a budget based on facts and on accurately stated needs to reach clearly defined objectives; and such a budget should command the most serious and sympathetic consideration

at the hands of the powers charged with the responsibility for providing funds. This basis for appropriating the public revenue will be recognized as being the antithesis of the methods that have usually been followed in past years; but the signs of the times indicate a tendency in this direction.

#### H.<sup>1</sup> CONCLUSIONS AND RECOMMENDATIONS

The data presented in this chapter appear to justify the following conclusions and recommendations:

1. Wherever the budget system has been established in a reasonably complete way and given fair trial, it is conceded to be a great advantage to the institution in securing better business management, greater economy, and increased efficiency; and it is recommended that institutions which have not adopted such a system do so as soon as possible, even though there is no state budget system.

2. In most cases where there is a budget system for the state, there appears to be reason for believing that it has aided in securing increased support from the state for the college; and it is recommended that college authorities in all states where there is no state budget system encourage the inauguration of one.

3. As to the effect of the budget system on the staff of an institution, opinion seems to favor it as having brought greater confidence, more certainty as to the financial status, and increased co-operation among the members; and it is recommended that all colleges develop their budget systems to the point of highest efficiency.

4. While there is a lack of positive evidence, the opinion seems to prevail that the general effect of a budget system on the people of a state is to inspire confidence in the management of public finances and other public affairs; and it is recommended that college officials encourage the establishment of state and college budget systems with this end in view.

5. In but few cases did the officials of the colleges suggest ways in which the budget system may be extended, and some are opposed to any extension; but there are such ways, and it is recommended that extensions be made to enable the institution in each case to derive the maximum benefit from such a system.

<sup>1</sup> Sections B-G may be found on pages 308-17 of typewritten manuscript.

6. Practically nothing has been done in the colleges to extend the budget system or the budget idea to the management of student organizations, or to help individual students to manage their financial affairs; but there are possibilities along this line, and it is recommended that institutions seek to develop such possibilities.

7. Only a few of these colleges teach budget-making in any form in their instructional departments, and there is practically nothing taught concerning public budget-making; and it is recommended that courses in budget-making, budget-using, financial reporting, and related subjects, be included in at least a brief form in the regular work of some department or departments of every institution of this type.

8. Very little is being done to regulate the expenses of students for objects outside of the regular college charges, and it is suggested that there are possibilities here for an extension of the budget idea which should be realized.

9. Most of the colleges appear hopeful of obtaining increased funds for support and development in the near future, some by special campaigns among alumni and friends and some by larger appropriations from the state or by an increased tax rate (where there is a mill tax); and, since it is apparent that the most promising permanent source for support is the state, it is recommended that each college seek to serve its own state to the maximum degree, in order to justify its claims for, and to better its chances of, securing adequate funds for its operation and development.

10. About two-thirds of the colleges have conducted recently, or are now conducting, a campaign for funds, among alumni and friends, but in a number of cases only partial success has attended such efforts; and it is suggested that the present is not a favorable time for raising funds in this manner, and an institution should deliberate long and carefully weigh all sides of the matter before launching such an effort.

11. A majority of the institutions present some evidence of what may be termed "scientific business management," but there is great difference in the degree to which this exists; and it is recommended that those who are interested in the introduction of business methods study the systems in use at such institutions as Illinois, adopting

the features which appear to them to be applicable to their own institutions and adapting these to meet the conditions there existing.

12. While comparatively little has thus far been accomplished in the way of special financial studies on a scientific basis, there is promise of something in the near future at about one-third of the colleges in the group; and it is recommended that wherever there are members of the staff prepared to undertake such studies they should be encouraged to do so, and as far as possible allowed ample time for the work.



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